TORONTO

Ulli S. Watkiss
City Clerk

City Clerk's Office

Secretariat
Dela Ting
Affordable Housing Committee
City Hall, 10th Floor, West
100 Queen Street West
Toronto, Ontario M5H 2N2

Tel: 416-397-7769
Fax: 416-392-1879
Email: dting@toronto.ca
Web: www.toronto.ca

June 3, 2010

To: Executive Committee

From: Affordable Housing Committee

Subject: Sale of Vacant Land on 32 and 36 St. Dunstan Drive, 21 Macey Avenue and a Parcel North of 19 Macey Avenue to Habitat for Humanity Toronto Inc. for Eight New Affordable Homes

Recommendations:

The Affordable Housing Committee recommends to the Executive Committee, for its meeting on June 14, 2010 that:

1. City Council authorize the City to accept the Offer to Purchase from Habitat for Humanity Toronto Inc. ("Habitat"), to purchase four City-owned parcels of vacant land at 32 St. Dunstan Drive, 36 St. Dunstan Drive, north of 19 Macey Avenue and 21 Macey Avenue, being part of Lots 90, 91 on Plan 1951 and Part of Lots 24 and 25 on Plan 2236, City of Toronto and shown as Parts 1, 2, 3, 4, 6, 7, 8 and 9 on Sketch No. PS-2008-063A (the "Sketch"), subject to an easement over Parts 6, 7, 8 and 9 on the Sketch in favour of Bell Canada (collectively known as the "Property"), in the amount of $1,000,000.00 less a vendor take back mortgage in the amount of $920,000.00, substantially on the terms and conditions outlined in Appendix "A" to this report.

2. City Council authorize each of the Chief Corporate Officer and the Director of Real Estate Services severally to accept the Offer to Purchase on behalf of the City.

3. City Council authorize the City Solicitor to complete the transaction on behalf of the City, including paying any necessary expenses, amending the closing, due diligence and other dates, and amending and waiving terms and conditions, on such terms as she considers reasonable.

4. City Council authorize the City to provide its consent for Habitat to act as agent for the City, as owner, with respect to any searches, applications or inquiries, and to grant licences for a term of up to six months from the date of execution of the Offer, renewable for up to three additional months, for the purposes of entering onto the Highway to carry out pre-development activities and that the Director of Real Estate Services, or his designate, be authorized to execute the applications, consents and licences.

5. City Council grant authority to direct a portion of the proceeds of closing to fund the outstanding expenses related to the Property and the completion of the sale transaction; and

6. City Council authorize and direct the City Solicitor to execute all documents and to complete all discharge transactions required to give effect to the City's vendor take back mortgage.

Background:

The Affordable Housing Committee on June 3, 2010, considered a report (May 11, 2010) from the Chief Corporate Officer and Sue Corke, Deputy City Manager seeking approval for the sale of four vacant City properties known municipally as 32 St. Dunstan Drive, 36 St. Dunstan Drive, 21 Macey Avenue and a parcel north of 19 Macey Avenue to Habitat for Humanity Toronto Inc. for its affordable housing building program in Toronto.

Background Information
Staff Report from Chief Corporate Officer and Sue Corke, Deputy City Manager
(http://www.toronto.ca/legdocs/mmis/2010/ah/bgrd/backgroundfile-30434.pdf)
Appendix A
(http://www.toronto.ca/legdocs/mmis/2010/ah/bgrd/backgroundfile-30435.pdf)
Appendix B
(http://www.toronto.ca/legdocs/mmis/2010/ah/bgrd/backgroundfile-30436.pdf)

City Clerk

Dela Ting
Item AH13.4

Attachments

cc: Chief Corporate Officer, Bruce Bowes
Deputy City Manager, Sue Corke
Deputy City Manager and Chief Financial Officer
Director, Affordable Housing Office
Councillor Giorgio Mammoliti, Ward 7 York West
Interested Persons

TORONTO

STAFF REPORT
ACTION REQUIRED

Sale of Vacant Land on 32 and 36 St. Dunstan Drive, 21 Macey Avenue and a Parcel North of 19 Macey Avenue to Habitat for Humanity Toronto Inc. for Eight New Affordable Homes

Date:	May 11, 2010
To:	Affordable Housing Committee
From:	Bruce Bowes, Chief Corporate Officer and Sue Corke, Deputy City Manager
Wards:	**35 – Scarborough Southwest**
Reference Number:	P:\2010\Internal Services\ RE\Af10045re(AFS 11680)

SUMMARY

This report seeks approval for the sale of four vacant City properties known municipally as 32 St. Dunstan Drive, 36 St. Dunstan Drive, 21 Macey Avenue and a parcel north of 19 Macey Avenue to Habitat for Humanity Toronto Inc. for its affordable housing building program in Toronto.

RECOMMENDATIONS

The Chief Corporate Officer and the Deputy City Manager responsible for the Affordable Housing Office recommend that:

1. City Council authorize the City to accept the Offer to Purchase from Habitat for Humanity Toronto Inc. ("Habitat"), to purchase four City-owned parcels of vacant land at 32 St. Dunstan Drive, 36 St. Dunstan Drive, north of 19 Macey Avenue and 21 Macey Avenue, being part of Lots 90, 91 on Plan 1951 and Part of Lots 24 and 25 on Plan 2236, City of Toronto and shown as Parts 1, 2, 3, 4, 6, 7, 8 and 9 on Sketch No. PS-2008-063A (the "Sketch"), subject to an easement over Parts 6, 7, 8 and 9 on the Sketch in favour of Bell Canada (collectively known as the "Property"), in the amount of $1,000,000.00 less a vendor take back mortgage in the amount of $920,000.00, substantially on the terms and conditions outlined in Appendix "A" to this report.
2. City Council authorize each of the Chief Corporate Officer and the Director of Real Estate Services severally to accept the Offer to Purchase on behalf of the City.

3. City Council authorize the City Solicitor to complete the transaction on behalf of the City, including paying any necessary expenses, amending the closing, due diligence and other dates, and amending and waiving terms and conditions, on such terms as she considers reasonable.

4. City Council authorize the City to provide its consent for Habitat to act as agent for the City, as owner, with respect to any searches, applications or inquiries, and to grant licences for a term of up to six months from the date of execution of the Offer, renewable for up to three additional months, for the purposes of entering onto the Highway to carry out pre-development activities and that the Director of Real Estate Services, or his designate, be authorized to execute the applications, consents and licences.

5. City Council grant authority to direct a portion of the proceeds of closing to fund the outstanding expenses related to the Property and the completion of the sale transaction.

6. City Council authorize and direct the City Solicitor to execute all documents and to complete all discharge transactions required to give effect to the City's vendor take back mortgage.

Financial Impact

This report recommends the sale of the Property to Habitat for $1,000,000.00. Habitat expects to construct eight (8) affordable housing units on the Property, and will pay the City, upon closing, $10,000.00 per affordable housing unit to be constructed. The balance of the sale price of $920,000.00 will be secured by a vendor take back mortgage (“VTB”) in favour of the City.

The Principal Amount of the VTB (the “Principal”) is based on the Purchaser constructing a minimum of eight (8) housing units on the Property and has been calculated based on a down payment to be made to the City of $10,000.00 per housing unit constructed. In the event the number of housing units built is greater than eight (8), Habitat will deliver to the City $10,000.00 multiplied by the number of housing units over eight (8) that have been built on the Property, prior to requesting the final discharge of the VTB. The Principal shall be adjusted downward prior to discharge of the VTB, to reflect additional housing units Habitat has been able to build on the Property.

The City will partially discharge the VTB upon evidence from Habitat that a Purchase Agreement has been entered into with a Habitat family for a portion of the Property containing one housing unit, and that the Purchase Agreement provides for a second mortgage (the “Second Mortgage”) in favour of the City. The principal amount (the “Family Principal”) of the Second Mortgage will be the sum equal to the result obtained by dividing the Principal by the total number of housing units built. No payments of the Family Principal or interest are due on this Second Mortgage until the land is disposed of by the Habitat family, either by selling, renting, leasing, transferring or vacating the property for any reason at which time the Family Principal is payable in full to the City.

The immediate proceeds of the sale of $80,000.00 and the deferred proceeds of the VTB in the amount of $920,000.00 will be directed to the Land Acquisition Reserve Fund, in accordance with the City policy governing land transactions.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In accordance with the City's Real Estate's Disposal By-law, No. 814-2007, the Property was declared surplus on February 3, 2010 (DAF No. 2010-001) with the intended manner of disposal to be by inviting an offer to purchase the Property from Habitat.

ISSUE BACKGROUND

In the 1990's, the former City of Scarborough purchased a number of lots on Macey Avenue and St. Dunstan Drive as they became available for the purposes of assembling one large parcel to build a community centre. The Property was not used for the purpose for which it was acquired, as a community centre was built at another location in the vicinity.

A circulation to the City's ABCDs was undertaken to ascertain whether or not there is any municipal interest in retaining the Property. Staff of the Affordable Housing Office ("AHO") advised that the Property would be suitable for a Habitat for Humanity project. Habitat has been consulted and has stated that the land would be suitable for its building program in Toronto. The block in which these sites are located consists of one and two-storey detached homes. To the passer-by the sites appear as vacant lots.

After reviewing the housing development model used by Habitat several years ago, City staff developed guidelines under which the City could agree to assist Habitat in the building of affordable housing, by providing it with land at below fair market value. Since that time Habitat has utilized 7 sites from the City which have provided 42 affordable homes. Originally, the City sold Habitat several properties for $10,000.00 per unit constructed and the City took back a mortgage for the balance of the purchase price (set at fair market value). Once the agreed upon number of affordable housing units were constructed and transferred to Habitat families, the VTB was forgiven.

Recently, partially due to the change in policy at Habitat not to forgive its own second mortgages to Habitat families, the City has changed its guidelines and the City's mortgage is no longer forgivable. The Second Mortgage given to the City by the Habitat families is interest free, but the Family Principle is repayable in full upon a disposition of the home by selling, renting, leasing, transferring or vacating the property for any reason.

Council at its most recent meeting of May 11 and 12, 2010 adopted the report Standardizing City Support for New Assisted Ownership Housing Opportunities (EX43.26) which lays the foundations for a new City assisted ownership policy and funding program. The policy provides for grants to non-profit affordable ownership developers to off-set City fees and charges related to the construction of new homes. The first recommended proponents and projects under the new policy will be brought forward to the August 2010 Executive Committee meeting for consideration after a formal procurement process has been completed. Habitat for Humanity and the homes to be built on the St. Dunstan Drive and Macey Avenue sites are potential candidates for funding under the new policy.

Habitat for Humanity has a strong track record of providing affordable ownership opportunities to families living in social housing and of marketing their homes in partnership with the Housing

Connections social housing waiting list. The homes that will be built on these sites will be marketed and sold to lower-income families using the well-established Habitat for Humanity model.

The Habitat Model

As a charity, Habitat chooses families to occupy its volunteer-built homes, based on three criteria. First, the family's income must be below the poverty line for their geographic area, second, the family must be willing to pay back a long-term mortgage provided by Habitat and thirdly, it must be willing to contribute 500 hours of volunteer labour towards building their home and other Habitat homes (often referred to as "sweat equity").

When title to a home is transferred from Habitat to a qualified family, Habitat takes back two non-interest bearing mortgages on the home. Habitat will register a first mortgage on the home (the "First Mortgage") which is for the "at-cost" value of the house, representing what it cost Habitat to build. Monthly payments are made by the Habitat family to Habitat on the First Mortgage only. Habitat will register the other mortgage as a third mortgage on the home (the "Third Mortgage") and it is for the difference between the homes "at-cost" value and its appraised market value. No payments are made on the Third Mortgage.

The "at-cost" price is significantly lower than the market price because of donations, particularly of building materials, and volunteer labour. Both mortgages usually have terms of between 20 to 25 years and are due in full on maturity or resale, whichever occurs first. The Third Mortgage is often referred to as an "anti-flip" mortgage because the fact that it must be paid on resale guards against windfall capital gains should a buyer family try to make a quick profit by selling the home soon after purchase. Any funds repaid through Habitat's mortgages are used to build more homes using the same model.

Property Details:

Description	Approximate Dimensions	Approximate Area
Parts 1 & 6 on the Sketch	21.0 m x 33.6 m ± (69 ft x 110 ft ±)	705.8 m² ± (7,597.4 ft² ±)
Parts 2 & 7 on the Sketch	10.7 m x 33.6 m ± (35 ft x 110 ft ±)	358.1 m² ± (3,854.7 ft² ±)
Parts 3 & 8 on the Sketch	8.8 m x 33.5 m ± (29 ft x 110 ft ±)	296.4 m² ± (3,190.5 ft² ±)
Parts 4 & 9 on the Sketch	7.6 m x 33.5 m ± (25 ft x 110 ft ±)	255.6 m²± (2,751.3 ft² ±)

Negotiations, in consultation with the Affordable Housing Office, have resulted in Habitat submitting an Offer to Purchase the Property in the amount of $1,000,000.00. Payment to the City would be comprised of a cash payment of $80,000.00, with $920,000.00 to be secured by the VTB granted to the City.

The VTB term is 30 months from the date of registration of the VTB, and if Habitat has not completed the affordable housing initiative by the end of the VTB term, then the Principal would become due and payable in full to the City. If Habitat does complete the affordable housing initiative the Principal of the VTB would be partially discharged downward and replaced by the Second Mortgages as Habitat families purchase the individual affordable housing units. The Second Mortgages are repayable in full by the Habitat families upon a disposition of the home by selling, renting, leasing, transferring or vacating the property for any reason.

Once title to the Property is transferred to Habitat, the City will not have future control over the use of the Property but will have a Second Mortgage registered on title of each housing unit.

The mortgages given in favour of Habitat and the City by the Habitat families, and the right to re-purchase that Habitat may exercise if the Habitat families elect to sell the properties, are intended to secure the long-term availability of the homes for affordable housing. The Habitat model has been successful in providing long-term affordable housing as Habitat families typically remain in their homes much longer than families in private market housing.

CONTACT

Sean Gadon, Director
Affordable Housing Office
Tel: 416-392-1143
Email: sgadon@toronto.ca

Joe Casali, Director
Real Estate Services
Tel: 416-392-7020
jcasali@toronto.ca

SIGNATURE

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Sue Corke
Deputy City Manager

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Bruce Bowes, P.Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix “A” – Terms & Conditions
Appendix “B” – Site Map & Sketch

Subject Property:	Vacant land located south of Denton Avenue between Macey Avenue and St. Dunstan Drive, municipally known as 21 Macey Avenue, a parcel north of 19 Macey Avenue, 32 St. Dunstan Drive and 36 St. Dunstan Drive
Legal Description:	Part of Lot 90 and 91 on Plan 1951 and Part of Lots 24 and 25 on Plan 2236 and shown as Parts 1, 2, 3, 4, 6, 7, 8 and 9 on Sketch No. PS-2008-063A (the “Sketch”) being subject to an easement in favour of Bell Canada over Parts 6, 7, 8 and 9 on the Sketch (collectively known as the “Property”).
Purchaser:	Habitat for Humanity Toronto Inc. (“Habitat”)
Recommended Sale Price:	$1,000,000.00
Deposit:	$20,000.00 (Certified cheque)
Balance:	$60,000.00 payable on closing plus a Vendor Take Back Mortgage in the amount of $920,000.00 in favour of the City.
Vendor Take Back Mortgage ("VTB"):	The principal amount of the VTB is $920,000.00 and is for a term of 30 months from registration of the VTB; If Habitat has not completed the affordable housing initiative by the end of the VTB term, then the Principal would become due and payable in full to the City; The VTB is subject to adjustment as the principal amount of the VTB is based on the Property being developed into a minimum of eight (8) housing units, and has been calculated based on a down payment to be made to the City of $10,000.00 per housing unit; In the event the number of housing units built is greater than eight (8), Habitat will deliver to the City, $10,000.00 multiplied by the number of housing units over eight (8) that have been built on the Property prior to requesting the final discharge of the VTB. The Principal shall be adjusted downward prior to discharge of the VTB, to reflect additional housing units the Purchaser has been able to build on the Property; The City will partially discharge the VTB upon evidence from Habitat that a Purchase Agreement has been entered into with a Habitat family for a portion of the Property containing one housing unit, and that the Purchase Agreement provides for a second mortgage (the “Second Mortgage”) in favour of the City; The principal amount (the “Family Principal”) of the Second

	Mortgage will be the sum equal to the result obtained by dividing the Principal by the total number of housing units constructed; and No payments of the Family Principal are due on this Second Mortgage until the land is disposed of by the Habitat family, either by selling, renting, leasing, transferring or vacating the property for any reason at which time the Family Principal is payable in full to the City. The Second Mortgage is interest free.
Irrevocable Date:	July 23, 2010
Closing Date:	November 30, 2010
Due Diligence Date:	October 30, 2010
Easement:	Subject to an existing easement in favour of Bell Canada over Parts 6, 7 8 & 9 on the Sketch.
Environmental Condition:	This offer to purchase is conditional until October 30, 2010 upon Habitat satisfying itself during the Due Diligence Period, at its own expense, with the results of a Phase 1 and Phase II environmental assessment of the Property. Habitat shall have the right to terminate this Agreement by notice in writing to the City on or before the expiry of the time set out above in the event that the foregoing condition has not been satisfied. Upon such notice, this Agreement shall be null and void. In the event Habitat does not notify the City within the time so limited, Habitat shall be deemed to have waived this condition. This condition is expressed to be for the sole benefit of the Habitat which Habitat shall have the right to waive, at any time or times.

Appendix "B"
Site Map